



NHII Advisors

1854 Clarendon Blvd.
Arlington, VA 22201
703/527-5678

William A. Yasnoff, MD, PhD
Managing Partner
william.yasnoff@nhiiadvisors.com

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Washington State Health Care Authority
Proposed Startup Funding Plan for Health Information Infrastructure

I. Background

The Washington State Health Information Infrastructure Advisory Board (HIIAB) is charged with the development of a plan for statewide health information infrastructure (HII). One option being evaluated is the establishment of an eHealthTrust™, a secure repository for complete medical records for each citizen that: 1) maintains a complete and secure medical record for each citizen in electronic form that is accessible via the Internet; 2) allows the records for each person to be accessed by that person (or his/her proxy); 3) ensures that all other access to the person's medical records is controlled by that person (or his/her proxy) – such access may be restricted to certain parts of the record and/or certain periods of time; 4) provides that citizens (or their sponsors, e.g. health insurance plans) pay \$5/mo (\$60/yr) for each eHealthTrust account; 5) allows clinicians to be paid about \$3 for each standard electronic report of an outpatient encounter (thereby providing \$10-20,000 in new revenue to clinicians who obtain and use electronic health record (EHR) systems).

II. Implementation Plan

To implement the eHealthTrust in Washington State, a two phase approach is planned. In Phase I, the system would be offered statewide, but no EHR incentives would be paid to clinicians. Approximately 100,000 subscribers are needed to reach breakeven (about 1.7 percent of the population). Since a nationwide survey in May, 2005, indicated that 52% of consumers were willing to pay \$5 or more each month for electronic medical records, achieving the number of subscribers needed for breakeven should be relatively easy. Assuming 2.5% of the population signs up for the eHealthTrust (less than 1 in 20 of the 52% of consumers who indicated in the survey that they would do so), there would be about 150,000 subscribers resulting in about \$3,000,000 in annualized excess revenue beyond expenses.

In Phase II, the eHealthTrust would focus its attention on one community with intensive marketing and payments of EHR incentives to clinicians. The excess revenue would allow the EHR incentives to be paid for all patients seen by clinicians with EHR systems, not just eHealthTrust members (records sent to the eHealthTrust for non-members would be stored in a "backup" facility per a prior agreement with the clinician, thereby ensuring HIPAA compliance). The key marketing channel in the community would be physicians, who would be asked to encourage their patients to join the eHealthTrust; a \$10 referral fee would be paid

to physicians for each patient who becomes a member. When the excess revenue again reaches about \$3 million/year (from increased membership), Phase II can be started in another community. The time required for each Phase II community will vary according to the rate of subscriber acquisition, but should not be longer than a year.

The initial Phase II community should be selected based on likelihood of rapid success, considering factors such as: 1) health insurance coverage for eHealthTrust membership; 2) support from clinicians; 3) support from government officials; and 4) anticipated media coverage. In Washington State, strong consideration should be given to starting in communities that already have an established health information infrastructure that can be converted into an eHealthTrust (e.g. Spokane or Whatcom County).

III. Strategy for Initial Funding

The recommended strategy for initial eHealthTrust funding uses two mechanisms to provide outside funding without the need for appropriations or fund raising.

First, an RFP would be issued for development and operation of the eHealthTrust under the auspices of a non-profit entity created to manage and oversee the process. The RFP would specify that all marketing rights to the technology and operations expertise would be retained by the non-profit for any bidder asking to be paid for its efforts. Should a bidder wish to retain the marketing rights (in other states and locations), the bidder would need to (at a minimum) provide all startup services at no charge, and would be encouraged to offer a fee for the right to be the eHealthTrust developer. This approach uses the anticipated value of the marketing rights outside Washington (which should be considerable) to encourage private sector entities to provide the initial capital needed to begin operations (estimated to be \$5 million). Of course, the entity operating the eHealthTrust would receive the revenues that it generates to offset expenses and the initial investment. Furthermore, it would be extremely helpful to be able to guarantee an initial eHealthTrust subscriber base to potential bidders to reduce their risk (e.g. state Medicaid recipients).

Second, an invitation to bid would be issued for the non-exclusive rights to link web portal services to eHealthTrust records (with consumer permission, of course). Many large online services firms, such as WebMD, Google, Microsoft, Yahoo, and AOL, as well as many health insurance firms such as Aetna, Cigna, and Blue Cross, have an intense interest in creating attractive web portals for consumers focused on health. Clearly, any such web portal will be much more attractive to a consumer if its information is customized using his/her own medical record. This would allow the delivery of customized medical news, reminders, etc., that relate directly to the medical needs and interests of that consumer. The rights to connect web portals to the eHealthTrust records (via web services) thus will be very valuable to these firms, and they should be willing to pay for them. Funds raised for these licenses can be used to defray organizational expenses of the non-profit, fund eHealthTrust memberships for the uninsured, or other useful purposes.

Using this approach, starting the eHealthTrust requires no appropriations or other funding, and is likely to generate funds for the non-profit oversight entity.